

Exhibit B

EXPERT REPORT

In the case of:

LeMond Cycling, Inc.

v.

Trek Bicycle Corporation

v.

Greg LeMond

Prepared by:

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Executive Director, Grainger Center for Supply Chain Management
Wisconsin School of Business
University of Wisconsin-Madison
Madison, Wisconsin 53706**

June 2009

I. Qualifications

I am currently the Executive Director of the Grainger Center for Supply Chain Management and Chair of the Marketing Department at the Wisconsin School of Business, University of Wisconsin-Madison.

My education includes a Bachelor of Science degree in Marketing from Southern Illinois University in 1965. I received a Master of Science degree in Marketing in 1968 and a Doctor of Philosophy (Ph.D.) in Marketing in 1972 from the University of Illinois. While I was obtaining my Masters and Ph.D. degrees, I was a research and teaching assistant in the Department of Marketing at the University of Illinois. In 1968, I became a lecturer in the Department of Business Administration at Illinois State University. In 1969, I became an assistant professor in the Department of Business Administration at Illinois State University and remained in that position until 1970. At that time, I became an assistant professor in the School of Business at the University of Wisconsin-Madison and remained in that position until 1977. I became an associate professor in 1977 and a full professor in 1983.

In 1988, I became a Wisconsin Distinguished Professor (1988-2008) and Chair of the Marketing Department (1988-1992, 2008-Present). In 1992, I became the Executive Director of the Grainger Center for Supply Chain Management. From 1999-2001, I was the Associate Dean for Master's Programs and from 2004-2007, I was the Executive Director for the Center for Brand and Product Management Program (2003-2007).

I have extensive experience in providing professional services with respect to marketing, distribution channels, and economic damage analysis. I am, or was, a member of the editorial board for the *Journal of Marketing*, the *Journal of Retailing*, the *International Marketing Review*, *Advances in Distribution Channel Research*, and the *Journal of Marketing Channels*. I served as the Leader of the Channels and Distribution Management Special Interest Group of the American Marketing Association from 1995-2001. The fee for my time is billed at the rate of \$450.00/hour. My Curriculum Vitae which includes a listing of all my publications is attached.

II. List of Cases

A listing of cases in which I have testified as an expert at trial or in depositions within the preceding four years is as follows:

Wilde Pontiac, Inc. and Don Jacobs Automotive Group, Inc. v. General Motors Corporation,
State of Wisconsin, Division of Hearings and Appeals, TR-04-0041, 2005

Kayser Ford, Inc. v. American Suzuki Motor Corporation,
State of Wisconsin, Division of Hearings and Appeals, 2005

C. L. Thompson Company v. IMI Norgren, Inc.,
U.S. District Court, Eastern District of Wisconsin, 2005

Robert E. Gilson, M.D., Wisconsin Alumni Research Foundation, and Gilson, Inc. v. Rainin Instrument, LLC, Rainin Group, Inc., and Mettler-Toledo, Inc.,
U.S. District Court, Western District of Wisconsin, Case No. 04-C-852-S, 2005

The City of New York v. Beretta U.S.A. Corp. et al.,
U.S. District Court, Eastern District of New York, Docket No. 00 CV 3641 (JBW)(CLP), 2005

North Country Automotive and Marine, Inc. v. Fiberglass Engineering, Inc., d/b/a Cobalt Boats,
American Arbitration Association, 57 181 Y 00135 05, 2006

Hanley Company, Inc. v. CNH America LLC,
State of Wisconsin, Circuit Court, Dane County, Case No. 05-CV-3051, 2006

Safety First v. TNT Rescue Systems, Inc. et al.,
State of Wisconsin, Circuit Court, Dane County, Case No. 06-CV-0591, 2007

Wisconsin Cheese Group v. Mexican Cheese Producers,
American Arbitration Association, 2007

Johnson Controls, Inc. v. CPC Technologies,
American Arbitration Association, AAA Case No. 51 181 00801 06, 2007

Scaffidi Motors, Inc. v. General Motors Corporation,
State of Wisconsin, Division of Hearings and Appeals, No. TR-07-0042, 2008

Link Snacks, Inc., et al. v. Jay E. Link,
State of Wisconsin, Circuit Court, Washburn County, Case No. 2005 CV 127, 2008

State of Wisconsin v. Amgen, Inc. et al.,
State of Wisconsin, Circuit Court, Dane County, Case No. 04-CV-1709, 2008

Rainbow Play Systems, Inc. v. Playground Enterprises, LLC,
American Arbitration Association, AAA File No.: 50 155 T 00360 07, 2008

OK Sales, Inc. v. Canadian Tool & Die
U.S. District Court, Northern District of Oklahoma, Case No. 08-CV-024 TCK SAJ, 2009

Vande Hey Brantmeier, Chevrolet, Buick, Pontiac, Inc. v. General Motors Corporation
State of Wisconsin, Division of Hearings and Appeals, No. TR-08-0046, Madison, 2009

Acuity Insurance Company v. Barr Engineering Co.
American Arbitration Association, Case No. 51 110 Y 01109 08, 2009.

III. My Charge in this Case

I have been retained by Trek Bicycle Corporation to determine the economic damages to Trek caused by Greg LeMond's relentless public attacks against Lance Armstrong and other professional athletes. Trek's statement concerning these damages was as follows (Trek's Counterclaim and Third-Party Complaint, p. 8):

"LeMond's disparaging statements have caused substantial damage to the value of the LeMond trademarks he agreed to license to Trek, caused substantial harm to Trek's own brand and damaged Trek's ability to market and sell its products – including the LeMond branded bicycles. Trek has suffered significant lost sales and has incurred a corresponding, substantial loss of profits directly attributable to LeMond's public attacks against Armstrong."

Trek also states that the damages and harm LeMond's conduct has caused to Trek and its business is permanent and irreparable (Trek's Counterclaim and Third-Party Complaint, p. 15).

IV. Materials Reviewed in Preparing This Report

I have reviewed the following materials in this case:

- Summons (LeMond Cycling, Inc. v. Trek) 12/8/04 and 3/20/08;
- Plaintiff LeMond Cycling, Inc. First Set of Discovery;
- Complaint (Trek v. LeMond Cycling);
- Sublicense Agreement;
- First Amendment to the Sublicense Agreement;
- Trek's Counterclaim and Third-Party Complaint;
- Sports Marketing Surveys Cycling Dealer Trend Report, 2003, 2004;
- NBDA Retail Data Capture Report December 1995-2003;
- Deposition transcripts for:
 - John Burke
 - Warren Gibson
 - Aaron Mock
 - Kevin Ishaug
 - Malcolm Davies

- Dean Gore
- Sidney Bluming
- Roger Gierhart
- Christopher Kegel
- Andrew Morris;
- A binder of news articles;
- A binder of blogs;
- A binder containing dealer comments;
- A binder containing consumer comments;
- A video of John Burke's April 8, 2008 company update;
- Transcript of telephone conversation between Greg LeMond and Dan Thornton;
- LeMond sales records bates-stamped TREK012972-13110;
- BPSA Road Bike data from 2002-2009 bates-stamped TREK013111;
- Trek road bike sales records bates-stamped TREK013112-13356;
- Trek road bike sales data updated to include 2008 sales (TREK013364-13690);
- LeMond sales data updated to include 2008 sales (TREK013691-13841);
- CD containing a clip from ESPN radio when Greg LeMond won the "Just Shut Up" award in July 2006;
- Additional consumer comments to add to binder previously sent;
- Interviews with four large LeMond dealers: Kevin Ishaug, Christopher Kegel, Pat Sorenson and Dan Thornton;
- Interviews with multiple Trek personnel;
- LeMond product development timeline;
- Fisher road sales and profit data and projections
- Letters between counsel for the parties concerning a \$87,500 erroneous payment to LeMond;
- Miscellaneous financial records from Trek.

V. Background

Trek Bicycle Corporation ("Trek") was established in 1976 in a rented barn in Waterloo, Wisconsin with a payroll of five producing a single product, hand built steel touring frames. Trek's current website (www.trekbikes.com) offers visitors a "Welcome to Trek" and describes the company as follows:

"Trek is people committed to changing lives through cycling. Who strive to enhance the riding experience worldwide through innovative products, dynamic partnerships, bicycle friendly development, and exceptional dealer and customer care."

Trek's history is characterized as 30-plus years of creating great bikes and rides, one frame at a time.

"Trek has built a reputation for excellent bicycles. Trek's trademarks have become synonymous with industry-leading quality and innovation, and the goodwill associated with its trademarks has

substantial value to Trek's business. Based on the strength of its trademarks, Trek markets its products to a diverse group of consumers including amateur and professional bicycle racers, cycling enthusiasts, health and fitness enthusiast, recreational cyclists and families (Trek's Counterclaim and Third-Party Complaint, p. 2).

"Trek markets its bicycles and bicycle products in the United States through an extensive network of independent bicycle dealers. These independent bicycle dealers specialize in selling bicycles and bicycle-related products, relying on the high quality of the Trek products and the reputations of the bicyclists associated with these products" (Trek's Counterclaim and Third-Party Complaint, p. 6).

"Trek markets its products and enhances its goodwill by, among other things, associating the Trek brand with bicyclists whose names, reputations, and public images will favorably reflect upon Trek and enhance the Trek brand. One such bicyclist is Lance Armstrong, seven-time winner of the Tour de France" (Trek's Counterclaim and Third-Party Complaint, p. 3).

Greg LeMond, a former world class cyclist and three-time winner of the Tour de France (1986, 1989 and 1990), formed LeMond Cycling for the purpose of developing and licensing various trademarks associated with his name. On June 29, 1995, Trek, Greg LeMond, and LeMond Cycling entered into a Sublicense Agreement whereby LeMond Cycling, as the licensee of Greg LeMond, granted Trek an exclusive sublicense to sell cycling products bearing the LeMond trademarks (Trek's Counterclaim and Third-Party Complaint, p. 3).

Since 1995, Trek has paid LeMond more than \$5 million, and has invested millions more to design, manufacture and market LeMond branded bicycles. Trek undertook this risk associated with developing and marketing the LeMond brand for the corresponding purpose of enhancing Trek's own brand, goodwill and sales (Trek's Counterclaim and Third-Party Complaint, p. 5).

During Lance Armstrong's ascendancy as a public figure, the sport of competitive cycling experienced a surge in public interest, and the entire bicycling industry experienced a corresponding, unprecedented increase in sales. Because of Trek's unique association with Lance Armstrong, all of Trek's

products, including the LeMond-branded Trek products – were poised to enjoy the benefits of Armstrong's meteoric rise and popularity. Rather than working cooperatively with Trek to ensure that Greg LeMond, LeMond Cycling, and Trek capitalized on the unique marketing opportunities presented by the Armstrong phenomenon, Greg LeMond instead embarked upon a self-destructive course of conduct by attempting to vilify Armstrong and to diminish Armstrong's accomplishments (Trek's Counterclaim and Third-Party Complaint, p. 5).

VI. Greg LeMond's Attacks on Lance Armstrong

"When Lance Armstrong won the tour in 1999 and he won the Tour 2000, based on, you know, the incredible achievement and also just overcoming cancer, it was a worldwide story, and it really put Trek on the map. And he did a lot for Trek in terms of growing our business and growing our brand name. He did a lot for the LeMond brand because this one guy just ignited the road bike business in the United States" (John Burke deposition, p. 43).

Greg LeMond's attacks on Lance Armstrong began in 2001. In July 2001, LeMond agreed to be interviewed by Mr. Walsh, a reporter regarding the association between American cyclist Lance Armstrong's involvement with Dr. Ferrari. After this interview, LeMond was quoted as stating:

"When Lance won the prologue to the 1999 tour, I was in tears. When I heard he was working with Michele Ferrari, I was devastated. If Lance is clean, it is the greatest comeback in the history of sports. If he isn't, it would be the greatest fraud" (Summons of LeMond Cycling, Inc.).

In his deposition, John Burke from Trek said that the statement by LeMond about Lance Armstrong in 2001 caused a lot of problems with our retailers and our consumers (John Burke deposition, p. 11).

In 2001, Trek was doing very well with the LeMond line. After Lance Armstrong won the Tour de France, Greg LeMond publicly made his statement about Lance Armstrong. When Greg made these comments in 2001, the confidence of those small business people (Trek dealers) went down substantially, and because of that, it hurt our relationship with those retailers, and it also hurt our potential LeMond sales (John Burke deposition, pp. 10-11). According to John Burke, the bicycle business is very dependent

on bicycle retailers. They make a lot of decisions about what products come in the door, and those are the products that go out the door. They spend a lot of time recommending what products they want to sell (John Burke deposition, p. 11).

According to Dean Gore, Trek's Director of Marketing, when the dispute between Greg LeMond and Lance Armstrong became public, the conversation turned at the dealer level from, let's talk about the designs or technology of the bikes, it turned into why is Greg saying that? This just put more doubt into our dealers' minds and that's the worst thing that could happen (Dean Gore deposition, pp. 79-80).

John Burke thought Trek was in a perfect position in 2001 before Greg LeMond's comments on Lance Armstrong. The sport of cycling was growing significantly. The LeMond brand was in a good position. John Burke thought that business could have grown to at least \$30 million over the next five years, and it stayed flat at best (John Burke deposition, p. 13). Warren Gibson, Greg LeMond's former non-exclusive agent, said that he thought LeMond's bicycle sales could go to \$30 million or \$40 million if Greg was supporting Lance because that could help LeMond bicycle sales with the bicycle consumer (Warren Gibson deposition, pp. 17-18).

During the 2004 Tour de France, LeMond repeated and intensified his public disparagement of Lance Armstrong (Trek's Counterclaim and Third-Party Complaint, p. 6). In July 2004, Greg LeMond agreed to speak with ESPN and a French newspaper, LeMonde, at their request. In the French newspaper, LeMond was quoted as stating that "Lance is ready to do anything to keep his secret...I don't know how he can continue to convince everybody of his innocence." He was also quoted as stating, as he was in 2001, that "If [Lance Armstrong is] clean, it's the greatest comeback. And if he's not, then it's the greatest fraud" (Summons by LeMond Cycling, p. 9). These quotes created extensive press coverage of the dispute between LeMond and Armstrong.

Predictably, Trek received numerous complaints from retail dealers and customers who provided negative reactions and comments based on Greg LeMond's 2004 public statements disparaging Lance Armstrong. LeMond's public attacks have had a negative impact on the LeMond and Trek brands (Trek's

Counterclaim and Third-Party Complaint, p. 8).

Trek's retail dealers' reacted to Greg LeMond's July 2004 public statements on Lance Armstrong.

Some of their reactions and comments are presented below:

"Per our conversation Thursday evening, it is in the best interest of PC Bike to remove all LeMond merchandise from our store. Greg LeMond's short-sighted and self-serving comments cast his name, and everything associated with it, in an incongruous position with other Trek manufactured products and services. Unless Mr. LeMond is in possession of proof of wrong doing by Trek's greatest defacto spokesperson, his name has no place in my store" July 16, 2004 (TREK000603).

"Lake Mary has been getting killed with LeMond's latest words. Here is what they had to say: Some customers are covering up LeMond's name on their bike that they have recently purchased from Lake Mary. Some customers are trashing LeMond for saying what he did. One of Karen's customers was buying a LeMond when it became available and now he is declining to buy the bike." July 19, 2004 (TREK000605).

"What is the idiot thinking? He just needs to keep his mouth shut. I'm almost ashamed to have his name on the bicycles on my floor." July 20, 2004 (TREK000606).

"Val called me today to say she had 3 people come into the store and ask if she sold LeMond and when she said not they said great "I won't shop at a store that sells LeMond." Yikes. July 22, 2004 (TREK000614).

"Two dealers in my area have said they are going to drop us because of what LeMond is saying. Both dealers are doing 15K with us; Sunshine Bicycle Shop and Outspokin in South Carolina." July 23, 2004 (TREK000615).

"I would like to express my concerns about the allegations GL has made about Lance. I would like you to know that I have had no less than 3-4 people per day for the last week say: 'I would not consider a LeMond Bicycle.'" July 27, 2004 (TREK000620)

"My beliefs as a Lemond dealer: The strength of Lemond Bicycles has always been the result of innovation, differentiation of product, marketing, and consumer support of Trek. The passage of time as well as the passing of the torch to Lance as the Great American Cyclist has not served Greg Lemond well, mostly in that he has not acknowledged this passage. In place of recognizing the historic moment of Lance's accomplishment and his place in this history, he has chosen to cheapen it with hollow accusations." July 27, 2004 (TREK000624).

Trek also received many negative responses from consumers who were disappointed or angry with Greg LeMond's public statements about Lance Armstrong in July 2004. Some of these comments are presented below:

"As a former USCF racer and life time Greg LeMond fan I have taken what I believe are 2 significant actions in which I thought I would never have to engage: (1) I just put my

prized cromor GL Team Z set up out on ebay for auction and (2) cancelled my recent order of a Maillot Jaune from my local dealer. When asked by my long time bike dealer what prompted my cancellation, I simply said 'I am embarrassed to ride or own a bike with the name of someone engaged in such adolescent and self-serving behavior.' I have a distinct feeling I'm not the only *former* Greg LeMond fan that feels this way. July 15, 2004 (TREK000075).

"I have a Lemond bike..which is now going to be sold. I will never buy another Lemond product in my life, as it reminds me of the name of the person behind the bike, tainted, sour and of little consequence." July 15, 2004 (TREK000393).

"After reading Greg LeMond's comments about Lance Armstrong, I am happy to say that I did something about it..I sold my Lemond and will never ride one again. How can I feel good on a bike that carry's the name of some bitter old man." July 16, 2004 (TREK000120).

"I am very unhappy with LeMond's comments about Lance Armstrong. As a result I am Having my LeMonds bike stripped and repainted with custom "Armstrong" logos. July 16, 2004 (TREK000130).

"I was considering purchasing a LeMond bike but after hearing the comments he has been making about Lance Armstrong the only thing I would use it for is another anchor for my boat. Have fun selling bikes, what a great spokesperson." July 16, 2004 (TREK000137).

"I have owned 2 Lemonds, I will never purchase one again." July 16, 2004 (TREK000158).

"As a Trek customer and competitive cyclist, I now have concerns about Trek and will think twice when I make my next bike purchases. This is because of the recent unqualified statements issued by Greg LeMond against Lance Armstrong. I am boycotting LeMond Bikes, which is affiliated with your company. Likewise, sadly, I am also considering boycotting Trek. July 16, 2004 (TREK000173).

"I'm a long time Trek customer, and have purchased 12 Trek bikes in the past ten years. However, I read Greg Lemond's unfounded accusations about Lance Armstrong and was quite angered. I know that Lemond bikes are sold by Trek...Greg Lemond's yearly "sour grapes" ranting and raving about Lance Armstrong is making me seriously consider purchasing another brand of bicycle. Trek needs to consider the effect this man is having on Trek customers like myself." July 16, 2004 (TREK000178).

"I can't believe what Lemond is saying about Lance. I will boycott any store that sells your bikes. You are not helping the sport or the American image." July 17, 2004 (TREK000328).

In July 2004, Trek received hundreds of emails like those above from consumers disappointed or outraged at Greg LeMond's comments on Lance Armstrong. Many of those comments indicated that those consumers would not buy or own a LeMond bicycle because they didn't want to be associated with the negative statements made by Greg LeMond.

In the summer of 2006, LeMond again renewed his public attacks against Lance Armstrong.

LeMond told the French weekly edition of L'Equipe Dimanche that Armstrong threatened his wife, his business, and his livelihood. LeMond added that Armstrong was consumed with ambition: "He needs power – with money, or with women, he will never find happiness." LeMond also publicly speculated about Floyd Landis in the summer of 2006. Again the predictable onslaught of consumer outrage with LeMond's conduct led to more negative consumer reaction directed to Trek (Trek's Counterclaim and Third-Party Complaint, p. 10).

As might be expected, Trek again received numerous complaints from retail dealers and consumers following LeMond's public criticism of Lance Armstrong. The retail dealers were excited about the new 2007 LeMond line before these LeMond statements in the press. Some of the dealer comments are shown below:

"Why does he not just SHUT UP? Even if true, it is not good for business. He comes off once again as a bitter man who did not get the love at home that Lance did. Just in time for the release of the new "LeMond" line." June 26, 2006 (TREK000566).

"Last time LeMond spoke out about Lance my LeMond sales went down. I could not give the expensive ones away. Now he is out trash talking Lance again in the media. I thought we were past this and was excited about the new LeMond bikes. I don't see how this can help sales. Why can't Lance and LeMond see that they are on the same team, and this only hurts the sport." June 26, 2006 (TREK009707).

"Why can't he keep quiet? He is really making himself look like a jerk. We are getting some momentum with his new bikes and have seen them selling well. Now what do we say when customers say 'He's a jerk, I wouldn't ride a bike with his name on it.'" July 27, 2006 (TREK000633).

Consumers again responded to Greg LeMond's criticism of Lance Armstrong in the summer of 2006 by expressing their reactions to Trek. Some examples of consumer responses are shown below:

"If I hear one more unsubstantiated negative comment by LeMond regarding Armstrong, my next bike will not be a Trek." July 12, 2006 (TREK000508).

"LeMond's attack on Armstrong has finally convinced me to donate my LeMond bike to charity. I will NEVER purchase anything with his name on it again." June 27, 2006 (TREK009628).

"I will never again buy a Trek product so long as your firm is associated with Greg LeMond. His comments about Armstrong and Landis prove the man has extreme mental issues. I hope

and pray the brands of Trek and LeMond fade into obscurity. I have retired my old Trek 1400 (many a great century on that one) am selling my wife's 1200 and will soon sell my 2300." July 30, 2006 (TREK000512).

"..please extend my solemn promise to Greg LeMond I will never ride his bikes, buy his bikes or buy any product of any kind from which he benefits. His latest cutting remarks about Floyd Landis, and particularly Lance Armstrong, are judgmental, mean-spirited and haughty." July 31, 2006 (LCI02530).

These comments from 2006 also show that some consumers' reactions was to not buy Trek branded bicycles in addition to LeMond branded bicycles.

In the Fall of 2007, at a key time for the promotion of the LeMond line in Europe, LeMond once again lashed out against Lance Armstrong. During an interview with Tour magazine, one of the most influential European publications devoted to road cycling, LeMond claimed Armstrong and Trek were to blame for LeMond's recent absence from the public eye. "This is for my problems with Armstrong. I criticized his cooperation with Michael Ferrari and for that reason got into big trouble with Trek. If I had loudly said what I thought this would have been suicide for my business" (Trek's Counterclaim and Third-Party Complaint, p. 11).

Malcolm Davies, Trek's Subsidiaries Director, testified concerning the impact of LeMond's interview with Tour magazine (Malcolm Davies deposition, pp. 60-65). According to Davies, in early September 2007, an interview with Greg LeMond was published in Tour magazine discussing problems with Armstrong and that he would be in trouble with Trek. He said that published interview just created a whole huge amount of negativity around the LeMond brand, and it created some negativity for Trek. Davies said that the negativity was experienced as dealers came to Trek and basically said I really don't want to carry the LeMond line because they were uncertain about what the future is with this scenario going on in the background. These dealers thought that the relationship between Greg LeMond and Trek was not as it should be, not as you would expect it to be for a harmonious business relationship. He said that "we could see damage was done because we didn't get any orders."

According to Dean Gore, Trek's Director of Marketing, Trek's ""strategy as a company is that

our goal is to take care of the dealer" (Dean Gore deposition, p. 78). He went on to state that Trek's fate is 100 percent in the hands of the person who runs and buys bikes for the bike shop. The bike shop is going to sell what they have on the floor. John Burke said that the bicycle business is very dependent on bicycle retailers and when Greg LeMond made those public comments in 2001, it caused a lot of problems with our retailers (John Burke deposition, p. 11).

I contacted four of Trek's larger retail dealers to inquire about the effects of Greg LeMond's negative public comments about Lance Armstrong and other professional athletes. The four dealers I contacted were: Kevin Ishaug (Freewheel Bicycles); Pat Sorenson (Penn Cycle); Dan Thornton (Freeflight Bicycles); Chris Kegel (Wheel & Sprocket). All four of these dealers said that LeMond's negative comments substantially lessened the demand for the LeMond product line.

Kevin Ishaug from Freewheel Bicycles in Minneapolis indicated that many customers were not willing to ride the brand given Greg LeMond's outspokenness about Lance Armstrong. One in three or one in four customers were unwilling to ride a LeMond bike. Kevin Ishaug also said that:

"If Greg had taken the high road we would have seen LeMond's sales grow with the industry growth. The LeMond product line was as good as any industry product. It was the right product, right colors, and right quality. Unfortunately, Greg's inflammatory comments substantially lessened the demand for his bikes."

Dan Thornton from FreeFlight Bicycles in Atlanta said that Greg LeMond's 2006 public statements about Lance Armstrong killed the line. Dan Thornton said that:

"In 2006, there was a new LeMond product line – a lot of energy – it was a cool product, carbon fiber, light. Trek spent millions to develop. It was like a new birth for Greg LeMond product. Things he said before had calmed down somewhat – and he went off again on Lance right in the middle of introducing his new product line. It killed the line – it hurt our sales.

Pat Sorenson from Penn Cycle in Minneapolis said that Greg's opening his mouth about Lance was stupid. He said his salespeople were disappointed and our customers were upset. Pat Sorenson said that:

"If Greg had acted professional and graciously and stepped down after he was injured (shot) and supported Lance and recognized his accomplishments everyone would have been better off – especially the LeMond line."

Chris Kegel from Wheel & Sprocket in Milwaukee said that the major theme for his company was the enjoyment of cycling, having fun, showing energy and enthusiasm for the product, emphasizing the positive. He doesn't want hassles or negative positions on cycling like the doping issue. He said the bad press, around the LeMond brand didn't help anyone. He went on to say that:

"It is really a negative impact when you have discouraging stuff against an icon. This isn't good for business. Doping in general is one thing! When it is personalized against individual athletes - that is really bad."

VII. Determination of Economic Damages

Trek has alleged that LeMond's disparaging statements have caused substantial damage to the value of the LeMond trademarks he agreed to license to Trek, caused substantial harm to Trek's own brand and damaged Trek's ability to market and sell its products - including the LeMond branded bicycles. Trek also claims that Trek has suffered significant lost sales and has incurred a corresponding, substantial loss of profits directly attributable to LeMond's public attacks against Armstrong (Trek's Counterclaim and Third-Party Complaint, p. 8). Based on these allegations, Trek asked me to determine the loss of LeMond branded bicycle sales and corresponding profits directly attributable to LeMond's public attacks against Armstrong and other professional athletes.

I will utilize a lost profits analysis to determine Trek's economic damages. One of the fundamental questions I address is what would LeMond product line sales and profits had been in the years 2002 and beyond but for the attacks of Greg LeMond on Lance Armstrong and other professional athletes that began in 2001. It is necessary to project LeMond branded bicycle sales under the assumption that Greg LeMond did not publicly attack Lance Armstrong beginning in 2001 and continuing thereafter. I have used three alternative projection scenarios to predict what would have happened to LeMond brand bicycle sales in the years 2002 and beyond. These three projection scenarios are as follows:

Projection #1 is based on year-to-year changes in U.S. road bike sales;

Projection #2 is based on year-to-year changes in Trek brand road bike sales;

Projection #3 is based on Trek equivalent U.S. road bike market shares.

Each of the projections included in my report is based on reasonable assumptions supported by evidence and interviews assembled and made available to me. I will present each of these projections in turn.

Projection #1

This projection is based on the assumption that if Greg LeMond didn't make the negative public statements about Lance Armstrong the LeMond brand bicycles sales would have grown at the same rate as the U.S. road bike category growth. In essence, the LeMond brand should have experienced the same growth rates as the entire U.S. market for road bikes.

The U.S. road bike sales from 1997 through 2008 as reported by the Bicycle Product Suppliers Association (BPSA) is shown in Table 1. The BPSA is the standard of reporting for the bicycle industry (Roger Gierhart deposition, p. 19). These reported sales come from manufacturers supplying independent bike dealers and sport specialty retailers. These sales figures are sales from the manufacturers to the independent bike dealers. When the BPSA reports numbers they report the current year and the prior year sales. The road bike category growth rates shown on the bottom of Table 1 are calculated based on the yearly reporting period of current versus prior year sales.

The relevant history of U.S. road bike sales, Trek U.S. road bike sales and LeMond U.S. bike sales are reported in Table 2 along with year-to-year percent changes and market shares. The U.S. road bike sales grew dramatically from 1997 through 2005. From 1997 through 2001, LeMond's bicycle sales grew 147.3% compared to the U.S. road bike sales that grew 153.2% over the same time period. LeMond's sales grew at almost the same rate as the U.S. road bike category grew. Following 2001, LeMond sales declined and never again reached the \$15 million sales level even though the U.S. road bike category grew another 173.5% between 2001 and 2005, the last year Lance won the Tour de France. The LeMond product line did not share in the dramatic rise in industry road bike sales following Greg LeMond's attacks on Lance Armstrong.

The projection (Projection #1) of lost LeMond sales and profits using the year-to-year changes in

U.S. road bike sales is presented in Table 3. The projection for 2002 is based on using the mean average of LeMond's 2000 and 2001 actual sales of \$12,869,628 ($(\$10,431,620 + 15,307,636)/2$). Therefore, the projected LeMond sales for 2002 is \$18,262,002 ($\$12,869,628 \times 1.419$). I viewed this as a more conservative procedure than starting from the 2001 LeMond sales of \$15,307,636. It is possible that some 2001 LeMond models may have had some restricted availability to dealers in 2000. This could have shifted some LeMond sales from 2000 to 2001.

Lost LeMond sales were determined by subtracting LeMond's actual sales from LeMond's projected sales. Yearly projected LeMond sales beyond 2008 were held constant at \$30,883,132. Actual LeMond sales to dealers ceased in 2008.

Lost LeMond profits (gross profits minus variable costs) were estimated to be 9.47 percent of lost LeMond sales (see Table 4). The LeMond product line sales, profits and expenses are taken from the U.S. domestic product line statement for LeMond product, year to date, December 29, 2007. This was the first year that this product line statement was produced. There was an additional 2008 U.S. domestic product line statement for LeMond product, year to date, January 3, 2009. I did not use that 2008 statement to estimate profitability because LeMond product was being closed out by Trek in 2008.

The variable costs in Table 4 were provided by Trek at my request. The 9.47 percent profit contribution figure was determined by subtracting total variable costs as a percentage of sales of 11.34% from the actual gross profit of 20.81 percent, as shown in the product line statement.

Trek was able to replace some of the lost LeMond sales and profits with the sales of Fisher road bikes beginning in 2008 and the sale of Trek road bikes in place of the lost LeMond sales. The Fisher road bike sales would be a direct replacement of lost LeMond sales and profits (see Table 5). I have further assumed that Trek would get its actual road bike market share of the difference between lost LeMond sales and projected Fisher road bike sales (see Table 6). This assumption most likely overstates the replacement sales of Trek road bikes because disappointed or angry consumers recognize that Trek road bikes and LeMond bikes are made by the same company.

Trek earns a higher profit margin on Fisher road bike sales and on Trek road bike sales than on LeMond road bike sales. I have used the ratio of Fisher to LeMond gross profit margins (see Table 5) as an estimate of the Fisher brand's greater profitability. In a similar vein, I have used the ratio of Trek to LeMond gross profit margins (see Table 6 and Table 7) as an estimate of the Trek brands greater profitability.

The results from Projection #1 are presented in Table 3. The adjusted lost profits from the lost LeMond sales taking the replacement Fisher and Trek sales into account are shown for each year from 2002 through 2015. The last five years (2011-2015) are to cover the five year option for Trek that would have begun after September 30, 2010.

The total adjusted lost profits amount to \$9,603,044 over the 2002 through 2015 time period. Again, the assumption underlying Projection #1 is that the LeMond product sales would have grown at the same rate as the U.S. road bike category growth but for the negative public statements Greg LeMond made about Lance Armstrong.

Projection #2

This projection is based on the assumption that LeMond bike sales would have grown at the same rate as Trek's U.S. road bike sales but for the negative statements made about Lance Armstrong. Trek's U.S. road bike sales grew at a slower rate than the U.S. road bike sales.

The projected LeMond sales are based on Trek's year-to-year percent change in U.S. road bike sales (see Table 2 and Table 8). The lost LeMond sales and profits resulting from these projections are presented in Table 8. Again, a similar procedure was followed in estimating replaced lost profits and sales from both Fisher (Table 5) and Trek (Table 9). The total adjusted lost profits under Projection #2 comes to \$6,312,027 over the 2002 through 2015 time period. The assumption underlying Projection #2 is that the LeMond product sales would have grown at the same rate as Trek's U.S. road bike sales.

Projection #3

This projection (see Table 10) is based on the assumption that LeMond bike sales would have

achieved the Trek equivalent market share for road bike sales (see Table 11). During 2000 and 2001, Trek's actual U.S. road bike market share averaged 44.8 percent compared to LeMond's 15.0 percent market share. From 2002 through 2008, Trek's market share averaged 32.0 percent which is only 71.5 percent of its 2000-2001 average market share. If LeMond bicycle sales had performed equivalent to Trek in terms of market share, LeMond's 2002 through 2008 market share would have averaged 10.7 percent. LeMond actual market share during the 2002 through 2008 time period was only 5.9 percent (Table 11). Projection #3 assumes that the LeMond product line would have achieved a 10.7 percent share of the U.S. road bike sales but for Greg LeMond's attacks on Lance Armstrong.

The lost LeMond sales and profits resulting from these projected LeMond sales are presented in Table 10. A similar procedure was followed in estimating replaced lost profits and sales from Fisher (Table 5) and Trek (Table 12). The total adjusted lost profits under Projection #3 comes to \$6,979,773 over the 2002 through 2015 time period. The assumption underlying Projection #3 is that the LeMond product sales would have achieved the Trek equivalent market share of 10.7 percent of U.S. road bike sales.

Additional Damages

In addition, I have reviewed correspondence from the Fall of 2008 between counsel for Trek and counsel for LeMond. According to that correspondence an erroneous payment of \$87,500 was made by Trek to LeMond pursuant to a payment schedule established while the agreement was in effect. After termination of the contract a hold was placed on that payment schedule which was lifted by a clerical error resulting in the funds being transferred to LeMond. The correspondence indicates that LeMond has refused to return this erroneously transferred money. Thus, Trek is entitled to an additional \$87,500 in damages.

Damage Summary

LeMond's bike sales grew as industry road bike sales grew through 2001 when LeMond sales hit \$15,307,636. Subsequent to 2001, LeMond's sales declined from the 2001 level while the U.S. road bike

industry experienced rapid growth through 2005, the year of Lance Armstrong's last Tour de France victory. John Burke thought the LeMond brand was in a good position in 2001 and that he thought the LeMond business could have grown to over \$30 million over the next five years (John Burke deposition, p. 13). Warren Gibson, Greg LeMond's former non-exclusive agent, said he thought LeMond's bicycle sales could go to \$30 to \$40 million if Greg was supporting Lance Armstrong (Warren Gibson deposition, pp. 17-18). Kevin Ishaug from Freewheel Bicycles, a dealer for LeMond, said that if Greg LeMond had taken the high road we would have seen LeMond's sales grow with industry growth.

I utilized three alternative projections to estimate the LeMond sales that would have occurred but for the negative comments Greg LeMond made about Lance Armstrong and other professional athletes. Projection #1 was based on industry road bike sales data using the assumption that LeMond sales would have grown at the same rate as U.S. road bike sales but for LeMond's actions. This approach follows the proverb that "a rising tide lifts all boats." It is common to use industry sales or projections as a basis for firm level projections.

Projection #2 and Projection #3 benchmark off of Trek's road bike sales history. Trek's history is especially relevant because of the use of common Trek sales personnel and dealers to access the road bike market. Projection #2 was based on Trek's yearly road bike sales data while Projection #3 was based on Trek equivalent U.S. road bike market shares.

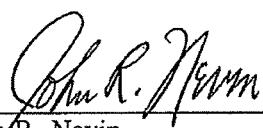
Key results from the three projections are summarized below:

	<u>Projection #1</u> <u>(Industry Growth)</u>	<u>Projection #2</u> <u>(Trek Growth)</u>	<u>Projection #3</u> <u>(Market Share)</u>
Projected 2008 LeMond Sales	\$30,883,132	\$25,267,672	\$27,809,746
Adjusted Lost Profits 2002-2015	\$ 9,603,044	\$ 6,312,027	\$ 6,979,773

The projections show LeMond 2008 sales to range between a low of \$25,267,672 and a high of \$30,883,132. The high end of this range is consistent with the expectations of John Burke and Warren

Gibson as discussed earlier. The projections of adjusted lost profits over the 2002 through 2015 time period range from a low of \$6,312,027 and a high of \$9,603,044. These three projections provide a range for the damages Trek incurred as a result of the loss of LeMond sales and profits associated with Greg LeMond's relentless public attacks against Lance Armstrong and other professional athletes.

I reserve the right to supplement my expert report contingent on the availability and receipt of any new relevant information. Each of the opinions concerning Trek's damages expressed in this report is held to a reasonable degree of certainty.


John R. Nevin

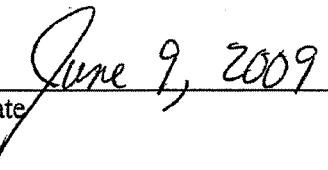

Date

Table 1

U.S. Road Bike Sales
Bicycle Product Suppliers Association (BPSA)

Reporting Period	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
December 1998	\$35,213,588	\$48,648,444										
December 1999		\$48,648,444	\$60,116,143									
December 2000			\$60,116,143	\$81,300,137								
December 2001				N.A.	N.A.							
December 2002					\$89,154,910	\$126,500,509						
December 2003						\$142,663,595	\$144,906,915					
December 2004							\$146,782,616	\$178,196,490				
December 2005								\$180,617,189	\$237,784,095			
December 2006									\$243,837,580	\$249,831,524		
December 2007										\$234,906,493	\$228,102,506	
December 2008											\$248,549,326	\$259,904,164
Road Bike Category Growth	38.2%	23.6%	35.2%	9.7%	41.9%	1.6%	21.4%	31.7%	2.5%	-2.9%	4.6%	

Table 2

U.S., Trek and LeMond Road Bike Sales

Calendar Year	U.S. Road Bike Sales*	U.S. Road Bike Sales Percent Change**	Trek U.S. Road Bike Sales***	Trek Percent Change	Trek Market Share	LeMond U.S. Bike Sales****	LeMond Percent Change	LeMond Market Share
1996						\$5,678,000		
1997	\$35,213,588					\$6,190,000	9.0%	17.6%
1998	\$48,648,444	38.2%				\$6,482,000	4.7%	13.3%
1999	\$60,116,143	23.6%				\$8,606,000	32.8%	14.3%
2000	\$81,300,137	35.2%	\$37,319,759		45.9%	\$10,431,620	21.2%	12.8%
2001	\$89,154,910	9.7%	\$38,924,614	4.3%	43.7%	\$15,307,636	46.7%	17.2%
2002	\$142,663,595	41.9%	\$42,462,695	9.1%	33.6%	\$14,469,262	-5.5%	10.1%
2003	\$146,782,616	1.6%	\$43,976,239	3.6%	30.4%	\$12,462,337	-13.9%	8.5%
2004	\$180,617,189	21.4%	\$66,951,087	52.2%	37.6%	\$13,015,263	4.4%	7.2%
2005	\$243,837,580	31.7%	\$89,607,975	33.8%	37.7%	\$10,930,740	-16.0%	4.5%
2006	\$234,906,493	2.5%	\$74,844,380	-16.5%	30.0%	\$11,520,951	5.4%	4.9%
2007	\$248,549,326	-2.9%	\$77,440,332	3.5%	34.0%	\$11,323,284	-1.7%	4.6%
2008	\$259,904,164	4.6%	\$76,410,000	-1.3%	29.4%	\$4,816,000	-57.5%	1.9%

*U.S. Road Bike Sales are taken from Table 1.

**The U.S. Road Bike Sales Percent Change is taken from the year-to-year change in the same sample data set except for 2001.

***TREK013112

****TREK012973

Table 3

Projection of Lost LeMond Sales and Profits Using Year-to-Year Change in U.S. Road Bike Sales
(Projection #1)

	Projection Percent Change	Projected LeMond Sales*	Actual LeMond Sales	Lost LeMond Sales	Lost LeMond Profits**	Replaced Lost Profits From Trek***	Replaced Lost Profits From Fisher****	Adjusted Lost Profits*****
2002	41.9%	\$18,262,002	\$14,469,262	\$3,792,740	\$359,172	\$158,093	\$0	\$201,079
2003	1.6%	\$18,554,194	\$12,462,337	\$6,091,857	\$576,899	\$231,498	\$0	\$345,401
2004	21.4%	\$22,524,792	\$13,015,263	\$9,509,529	\$900,552	\$474,051	\$0	\$426,501
2005	31.7%	\$29,665,792	\$10,930,740	\$18,735,052	\$1,774,209	\$923,050	\$0	\$851,159
2006	2.5%	\$30,406,779	\$11,520,951	\$18,885,828	\$1,788,488	\$735,069	\$0	\$1,053,419
2007	-2.9%	\$29,524,983	\$11,323,284	\$18,201,699	\$1,723,701	\$802,900	\$0	\$920,801
2008	4.6%	\$30,883,132	\$4,816,000	\$26,067,132	\$2,468,557	\$979,191	\$20,385	\$1,468,981
2009	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$942,413	\$988,170	\$994,050
2010 9 mos.	0.0%	\$23,162,349	\$0	\$23,162,349	\$2,193,475	\$636,059	\$949,571	\$607,845
2011	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$800,825	\$1,438,765	\$685,043
2012	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$774,828	\$1,559,079	\$590,726
2013	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$747,567	\$1,636,966	\$540,100
2014	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$718,919	\$1,718,814	\$486,900
2015	0.0%	\$30,883,132	\$0	\$30,883,132	\$2,924,633	\$688,838	\$1,804,755	\$431,040
Total				\$29,332,850	\$9,613,301	\$10,116,505	\$9,603,044	

*Projection starts with a mean average of LeMond's 2000 and 2001 actual sales of \$12,869,628 (to be used for 2001) and projects LeMond's sales using year-to-year change in U.S. road bike sales.

**Lost profits determined using 9.47% of lost LeMond sales (see Table 4).

***See Table 6.

****See Table 7.

*****Calculated as "Lost LeMond Profits" minus the sum of "Replaced Lost Profits" from Trek and Fisher.

Table 4

Identification of Variable Costs for the US Domestic LeMond Product Line

	LeMond Product Line	Variable Cost
Sales-Net	\$11,419,000	
Units	12,073	
Gross Profit	\$2,546,000	22.3%
Manufacturing and Operating Variances	\$169,000	
Actual Gross Profit	\$2,376,000	20.8%
Direct Expenses		
Selling Expenses	\$402,000	\$0
Marketing	\$487,000	\$430,000
Product	\$92,000	\$92,000
Engineering	\$114,000	\$114,000
Operations	(\$3,000)	\$0
Purchasing	\$38,000	\$0
Delivery	\$94,000	\$94,000
Distribution	\$62,000	\$14,000
Warranty	\$224,000	\$224,000
Showbike	\$8,000	\$8,000
TCG Purchasing	\$0	\$0
Total Direct Expenses	\$1,517,000	\$976,000
Overhead Expenses		
Finance	\$45,000	\$0
IT	\$138,000	\$0
Human Resources	\$42,000	\$0
Executive	\$163,000	\$0
Legal	\$70,000	\$0
Building Department	\$174,000	\$0
Mirra	\$0	\$0
Retail Development	\$46,000	\$0
Profit Sharing/Bonus/401K	\$217,000	\$0
Other Administrative Costs	\$12,000	\$0
Allocated to Product	\$0	\$0
Total Overhead Expenses	\$909,000	\$0
Other Expenses		
Financing Expense	\$335,000	\$335,000
Other (Income)/Expense	(\$15,000)	(\$15,000)
Currency (Income)/Expense	(\$1,000)	(\$1,000)
Net Income-Pre Tax	(\$368,000)	
Total Variable Cost as a Percentage of Sales		\$1,295,000 11.34%
Gross Profits Less Variable Costs		\$1,081,000 9.47%

Source: US Domestic Product Line Statement for LeMond Product - Year to
Date, December 29, 2007.

J.R. Nevin
June 2009

Table 5
Fisher U.S. Road Bike Sales and Profit Projections

	Fisher Road Bike N.A. Sales Projections	Fisher Road Bike U.S. Sales Projections*	Fisher Road Bike Gross Profit Projections	Ratio of Fisher to LeMond Gross Profit Margins***	Replaced Lost Profits from Fisher****
2008	\$224,000	\$206,976	28.3%	1.04%	\$20,385
2009	\$9,566,000	\$8,843,000	32.0%	1.18%	\$988,170
2010	\$11,958,000	\$11,049,192	33.0%	1.21%	\$1,266,094
2011	\$13,154,000	\$12,154,296	34.0%	1.25%	\$1,438,765
2012	\$13,812,000	\$12,762,288	35.0%	1.29%	\$1,559,079
2013	\$14,502,000**	\$13,399,848	35.0%	1.29%	\$1,636,966
2014	\$15,227,100**	\$14,069,840	35.0%	1.29%	\$1,718,814
2015	\$15,988,455	\$14,773,332	35.0%	1.29%	\$1,804,755

*U.S. Fisher road bike sales account for 92.4% of North American Fisher Road Bike Sales. This percentage is based on 2009 U.S. Domestic Product Line Statement for December 31, 2009 compared to North American projection.

**Assumes 5% growth.

***Uses 27.2% LeMond average gross profits from 2000 through 2007 for 2008 through 2015.

****Replaced lost profits estimated as "Fisher U.S. Road Bike Sales Projections" times 9.47% profit times the "Ratio of Fisher to LeMond Gross Profit Margins."

J.R. Nevin
June 2009.

Table 6

Replaced Lost Sales and Profits from Trek
(Used for Projection #1)

	Lost LeMond Sales	Fisher Road Bike Sales Projections	Trek Market Share*	Replaced Lost Sales From Trek	Ratio of Trek to LeMond Gross Profit Margins**	Replaced Lost Profits From Trek
2002	\$3,792,740	\$0	33.6%	\$1,274,361	1.31	\$158,093
2003	\$6,091,857	\$0	30.4%	\$1,851,925	1.32	\$231,498
2004	\$9,509,529	\$0	37.6%	\$3,575,583	1.40	\$474,051
2005	\$18,735,052	\$0	37.7%	\$7,063,115	1.38	\$923,050
2006	\$18,885,828	\$0	30.0%	\$5,665,748	1.37	\$735,069
2007	\$18,201,699	\$0	34.0%	\$6,188,578	1.37	\$802,900
2008	\$26,067,132	\$206,976	29.4%	\$7,602,886	1.36	\$979,191
2009	\$30,883,132	\$8,843,000	33.2%	\$7,317,324	1.36	\$942,413
2010 (9 mos.)	\$23,162,349	\$8,286,894	33.2%	\$4,938,651	1.36	\$636,059
2011	\$30,883,132	\$12,154,296	33.2%	\$6,217,974	1.36	\$800,825
2012	\$30,883,132	\$12,762,288	33.2%	\$6,016,120	1.36	\$774,828
2013	\$30,883,132	\$13,399,848	33.2%	\$5,804,450	1.36	\$747,567
2014	\$30,883,132	\$14,069,840	33.2%	\$5,582,013	1.36	\$718,919
2014	\$30,883,132	\$14,773,332	33.2%	\$5,348,454	1.36	\$688,838

*Average of Trek's 2002-2008 market shares is 33.2%.

**Average of ratios over the 2002-2007 time period is 1.36.

Table 7

Trek and LeMond U.S. Standard Gross Profit History

	Trek Road Bike Gross Profit Margins	LeMond Gross Profit Margins	Ratio of Trek to LeMond Gross Profit Margins
2000	36.5%	27.9%	1.31
2001	38.0%	32.0%	1.19
2002	40.2%	30.7%	1.31
2003	37.9%	28.7%	1.32
2004	36.3%	25.9%	1.40
2005	36.0%	26.1%	1.38
2006	32.0%	23.3%	1.37
2007	31.7%	23.2%	1.37
2008	36.3%	15.9%	2.28

Source: Trek Business Reporting Tool

Table 8

Projection of Lost LeMond Sales and Net Profits Using Year-to-Year Change in Trek Sales
(Projection #2)

	Projection Percent Change	Projected LeMond Sales*	Actual LeMond Sales	Lost LeMond Sales	Lost LeMond Profits**	Replaced Lost Profits From Trek***	Replaced Lost Profits From Fisher****	Adjusted Lost Profits*****
2002	9.1%	\$14,040,764	\$14,469,262	(\$428,498)	(\$40,579)	\$0	\$0	(\$40,579)
2003	3.6%	\$14,546,232	\$12,462,337	\$2,083,895	\$197,345	\$79,191	\$0	\$118,154
2004	52.2%	\$22,139,364	\$13,015,263	\$9,124,101	\$864,052	\$454,837	\$0	\$409,215
2005	33.8%	\$29,622,469	\$10,930,740	\$18,691,729	\$1,770,107	\$920,916	\$0	\$849,191
2006	-16.5%	\$24,734,762	\$11,520,951	\$13,213,811	\$1,251,348	\$514,304	\$0	\$737,044
2007	3.5%	\$25,600,479	\$11,323,284	\$14,277,195	\$1,352,050	\$629,785	\$0	\$722,265
2008	-1.3%	\$25,267,672	\$4,816,000	\$20,451,672	\$1,936,773	\$766,562	\$20,385	\$1,149,826
2009	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$702,302	\$988,170	\$702,377
2010 9 mos	0.0%	\$18,950,754	\$0	\$18,950,754	\$1,794,637	\$455,975	\$949,571	\$389,091
2011	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$560,714	\$1,438,765	\$393,370
2012	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$534,717	\$1,559,079	\$299,053
2013	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$507,456	\$1,636,966	\$248,427
2014	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$478,807	\$1,718,814	\$195,228
2015	0.0%	\$25,267,672	\$0	\$25,267,672	\$2,392,849	\$448,727	\$1,804,755	\$139,367
Total				\$23,482,825	\$7,054,293	\$10,116,505	\$6,312,027	

*Projection starts with a mean average of LeMond's 2000 and 2001 actual sales of \$12,869,628 (to be used for 2001) and projects LeMond's sales using year-to-year change in Trek Road Bike sales.

**Lost net profits determined using 9.47% of lost LeMond sales (see Table 4).

***See Table 9

****See Table 7.

*****Calculated as "Lost LeMond Profits" minus the sum of "Replaced Lost Profits" from Trek and Fisher.

Table 9

Replaced Lost Sales and Profits from Trek
(Used for Projection #2)

	Lost LeMond Sales	Fisher Road Bike Sales Projections	Trek Market Share*	Replaced Lost Sales From Trek	Ratio of Trek to LeMond Gross Profit Margins**	Replaced Lost Profits From Trek
2002	(\$428,498)	\$0	33.6%	\$0	1.31	\$0
2003	\$2,083,895	\$0	30.4%	\$633,504	1.32	\$79,191
2004	\$9,124,101	\$0	37.6%	\$3,430,662	1.40	\$454,837
2005	\$18,691,729	\$0	37.7%	\$7,046,782	1.38	\$920,916
2006	\$13,213,811	\$0	30.0%	\$3,964,143	1.37	\$514,304
2007	\$14,277,195	\$0	34.0%	\$4,854,246	1.37	\$629,785
2008	\$20,451,672	\$206,976	29.4%	\$5,951,941	1.36	\$766,562
2009	\$25,267,672	\$8,843,000	33.2%	\$5,452,991	1.36	\$702,302
2010 9 mos.	\$18,950,754	\$8,286,894	33.2%	\$3,540,402	1.36	\$455,975
2011	\$25,267,672	\$12,154,296	33.2%	\$4,353,641	1.36	\$560,714
2012	\$25,267,672	\$12,762,288	33.2%	\$4,151,787	1.36	\$534,717
2013	\$25,267,672	\$13,399,848	33.2%	\$3,940,118	1.36	\$507,456
2014	\$25,267,672	\$14,069,840	33.2%	\$3,717,680	1.36	\$478,807
2015	\$25,267,672	\$14,773,332	33.2%	\$3,484,121	1.36	\$448,727

*Average of Trek's 2002-2008 market shares is 33.2%.

**Average of ratios over the 2002-2007 time period is 1.36.

Table 10

Projection of Lost LeMond Sales and Net Profits Using Projected Market Share
(Projection #3)

	U.S. Road Bike Sales	Projected LeMond Sales*	Actual LeMond Sales	Lost LeMond Sales	Lost LeMond Profits**	Replaced Lost Profits From Trek***	Replaced Lost Profits From Fisher****	Adjusted Lost Profits*****
2002	\$142,663,595	\$15,265,005	\$14,469,262	\$795,743	\$75,357	\$0	\$0	\$75,357
2003	\$146,782,616	\$15,705,740	\$12,462,337	\$3,243,403	\$307,150	\$123,253	\$0	\$183,897
2004	\$180,617,189	\$19,326,039	\$13,015,263	\$6,310,776	\$597,631	\$314,593	\$0	\$283,038
2005	\$243,837,580	\$26,090,621	\$10,930,740	\$15,159,881	\$1,435,641	\$746,906	\$0	\$688,735
2006	\$234,906,493	\$25,134,995	\$11,520,951	\$13,614,044	\$1,289,250	\$592,039	\$0	\$697,211
2007	\$248,549,326	\$26,594,778	\$11,323,284	\$15,271,494	\$1,446,210	\$673,645	\$0	\$772,565
2008	\$259,904,164	\$27,809,746	\$4,816,000	\$22,993,746	\$2,177,508	\$862,818	\$20,385	\$1,294,305
2009	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$810,998	\$988,170	\$834,415
2010 9 mos.	\$194,928,123	\$20,857,309	\$0	\$20,857,310	\$1,975,187	\$810,998	\$949,571	\$214,618
2011	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$669,411	\$1,438,765	\$525,407
2012	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$643,413	\$1,559,079	\$431,091
2013	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$616,152	\$1,636,966	\$380,465
2014	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$587,504	\$1,718,814	\$327,265
2015	\$259,904,164	\$27,809,746	\$0	\$27,809,746	\$2,633,583	\$557,423	\$1,804,755	\$271,405
Total				\$25,105,431	\$8,009,153	\$10,116,505	\$6,979,773	

*LeMond sales are projected as achieving 10.7% share of U.S. Road Bike sales (see Table 11).

**Lost net profits determined using 9.47% of lost LeMond sales (see Table 4).

***See Table 12.

****See Table 7.

*****Calculated as "Lost LeMond Profits" minus the sum of "Replaced Lost Profits" from Trek and Fisher.

J.R. Nevin
June 2009

Table 11

LeMond's Trek Equivalent Market Share for Road Bikes

Time Periods	Trek Actual Market Share	LeMond Actual Market Share	LeMond Trek Equivalent Market Share
2000 and 2001 Average	44.8%	15.0%	15.0%
2002 through 2008 Average	32.0%	5.9%	10.7%
2002-2008 Average as a Percent of 2000- 2001 Average	71.5%	39.4%	71.5%

Table 12

Replaced Lost Sales and Profits from Trek
(Used for Projection #3)

	Lost LeMond Sales	Fisher Road Bike Sales Projections	Trek Market Share*	Replaced Lost Sales From Trek	Ratio of Trek to LeMond Gross Profit Margins**	Replaced Lost Profits From Trek
2002	\$795,743	\$0	33.6%	\$267,370	1.31	\$33,169
2003	\$3,243,403	\$0	30.4%	\$985,995	1.32	\$123,253
2004	\$6,310,776	\$0	37.6%	\$2,372,852	1.40	\$314,593
2005	\$15,159,881	\$0	37.7%	\$5,715,275	1.38	\$746,906
2006	\$15,211,022	\$0	30.0%	\$4,563,307	1.37	\$592,039
2007	\$15,271,494	\$0	34.0%	\$5,192,308	1.37	\$673,645
2008	\$22,993,746	\$206,976	29.4%	\$6,699,310	1.36	\$862,818
2009	\$27,809,746	\$8,843,000	33.2%	\$6,296,960	1.36	\$810,998
2010 (9 mos.)	\$20,857,310	\$8,286,894	33.2%	\$4,173,378	1.36	\$537,498
2011	\$27,809,746	\$12,154,296	33.2%	\$5,197,609	1.36	\$669,411
2012	\$27,809,746	\$12,762,288	33.2%	\$4,995,756	1.36	\$643,413
2013	\$27,809,746	\$13,399,848	33.2%	\$4,784,086	1.36	\$616,152
2014	\$27,809,746	\$14,069,840	33.2%	\$4,561,649	1.36	\$587,504
2015	\$27,809,746	\$14,773,332	33.2%	\$4,328,089	1.36	\$557,423

*Average of Trek's 2002-2008 market shares is 33.2%.

**Average of ratios over the 2002-2007 time period is 1.36.